

Message Text

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PAGE 01 JIDDA 02503 061022Z

14

ACTION TRSE-00

INFO OCT-01 NEA-10 EB-07 ISO-00 /018 W

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R 060905Z APR 76

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 4281

LIMITED OFFICIAL USE JIDDA 2503

E.O. 11652: N/A

TAGS: EFIN, ECRE, SA, US

SUBJECT: SURETY BONDS VS. PERFORMANCE GUARANTEE TEAM VISIT

REFS (A) JIDDA 1151, (B) JIDDA 0951

1. EMBASSY HAS NOTICED CONSIDERABLE PRESS COVERAGE OF RECENT TEAM WHICH ATTEMPTED TO CONVINCE SAUDIS THAT SURETY BONDS WOULD BE AN ACCEPTABLE SUBSTITUTE FOR PERFORMANCE GUARANTEES FROM BANKS. LATEST EXAMPLE IS MARCH ISSUE OF THE BULLETIN OF THE AMERICAN-RAB ASSOCIATION. THE ARTICLE NOT ONLY HAS EXTENSIVE COVERAGE OF THE TEAM, IDENTIFYING ITS HEAD AS HUGH MCFADDEN, OFFICER IN CHARGE OF SAUDI ARABIAN AFFAIRS POLICY IN TREASURY, BUT GIVES THE TEXT OF THE TEAM'S BACKGROUND PAPER. OTHER ARTICLES HAVE APPEARED IN MIDDLE EAST ECONOMIC DIGEST AND CHASE MANHATTAN'S MIDDLE EAST MARKETS.

2. SUCH PRESS REPORTS ARE ALMOST INVARIABLY INTERPRETED BY SAUDI OFFICIALS AS EFFORTS TO PRESSURE THEM. IN A MATTER AS SENSITIVE AS THIS WE MAY RISK SETBACK TO OUR EFFORTS TO CONVINCE THE SAUDIS OF THE EFFICACY OF SURETY BONDING.

3. ACTION REQUESTED: REQUEST DEPARTMENT RAISE THIS ISSUE WITH TREASURY AND/OR MEMBERS OF SURETY BONDING TEAM, AND POINT OUT THAT PUBLICITY FOR TEAM PROPOSAL MAY APPEAR DESIRABLE IN THE U.S. IN THE SHORT RUN, BUT IN THE LONG RUN IS LIKELY TO BE DETRIMENTAL TO OUR INTERESTS IN SAUDI ARABIA.

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PORT

ER

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Message Attributes

Automatic Decaptioning: X
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